

Transmittal



June 7, 1994

Number: 106

On February 24, 1994, the Board of Governors of the Federal Reserve System (FRS) published a final rule implementing changes to 12 CFR 215 (Regulation O). These changes were effective on February 18, 1994. Attached is a copy of the full text of the change from the *Federal Register* (Volume 59, No. 37).

Regulation O governs loans to executive officers, directors, and principal shareholders of member banks. The Office of Thrift Supervision (OTS) has incorporated Subpart A of Regulation O by reference at 12 CFR 563.43.* The provisions of Regulation O, therefore, apply to a savings association, its subsidiaries and insiders (directors, officers, and related interests) in the same manner and to the same extent as if the association were a bank and a member bank.

The FRS revised Regulation O to:

- Increase the aggregate limit on lending to insiders of eligible small banks from 100 percent to 200 percent of unimpaired capital and surplus;
- Provide alternative recordkeeping procedures on loans to insiders of affiliates;
- Narrow the definition of "extension of credit"; and
- Adopt exceptions to the general restrictions on lending to insiders and the special restrictions on lending to executive officers.

* The OTS has recently proposed to conform 12 CFR Section 563.43 with 12 USC Section 1972 to incorporate Subpart B of Regulation O by reference as well. 59 FR 18982 (April 21, 1994)

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Attachment